

The Honorable Daniel Inouye  
Chairman  
Senate Committee on Appropriations

The Honorable Thad Cochran  
Ranking Member  
Senate Committee on Appropriations

Dear Chairman Inouye and Ranking Member Cochran:

We write today to draw your attention to a serious issue that unless solved could impact the viability of our Army depots and arsenals in the coming year. Upon examination of the FY'2013 Defense Appropriations Bill the House Appropriations Committee passed on May 17, 2012, it came to our attention that the House effectively zeroed out funds needed to carry-out the depots' and arsenals' organic base programs for FY'2013. The \$1.207 billion cut from the Operation and Maintenance, Army account (OMA) and the \$1.253 billion from the Other Procurement, Army (OPA) account would severely impact the depots' and arsenals' operational requirements and the equipment readiness of high priority systems.

The House bill cites "excessive levels of funding carryover at Army depots" as their basis for reducing the funding in each of these accounts. However, it is our understanding that the Army depots are, in fact, in their usual range of carryover. The additional \$2.5 billion of carryover included in the President's FY'2013 budget was the result of the late receipt of funding in FY'2011 when Congress did not approve defense appropriations until April 2011. It is our understanding, that depots are unable to perform work on items unless they have received their full appropriations. Thus, Congress' seven month continuing resolution prevented the depots from moving forward with the work they needed to complete.

Additionally, our depots and arsenals have worked hard to build their reputations and their ability to be premier manufacturers, overhaul and repair sites. Today, each depot and arsenal is able to compete with their private sector peers. As such, they have been able to succeed in competitive contract awards, bringing in new orders to facilitate their sustainability and increase value to the taxpayer. Because of the complexity of these platforms and the timing of the award, some of the work may have to be completed between fiscal years. While this practice is common in the private sector and is not penalized in contracting rules, carryover rules for organic workload dictate that this work must count towards each depot's carryover calculations. Thus, the House Appropriations Committee's cuts to the OMA and OPA accounts due to "excessive levels of funding carryover" essentially penalizes our depots and arsenals for actively pursuing work that increases their viability and puts them at a disadvantage to private contractor practices. Moreover, their reputations as reliable sources for manufacturing and repair in

the viewpoints of program managers across the Defense Department will be damaged.

Following the passage of this provision in the House Defense Appropriations bill, the Army released data indicating that approximately 3,000 highly-skilled and highly-specialized employees will be laid-off as a result of the House provision. As you know, when talented workers are laid-off, they do not wait for their employers to rehire them. If these highly skilled workers fail to return, depots will spend more money training a new workforce and restarting production lines than the savings envisioned by these cuts.

Additionally, the ability of our servicemembers to have the equipment they need to conduct their missions will be compromised. For example, it is our understanding, that these cuts will mean that the A to L conversion of 48 UH-60 Blackhawks will be deferred, impacting the deployment and unit training for our National Guard members. At the current pace of this program, the National Guard will not retire its last "A" model until 2027. This timeframe will be extending should these cuts be enacted. Likewise, a Patriot Battalion using a 27 year old system in Korea will not be provided a modernized system next year, and 135 other Patriots will not be upgraded impacting force protection requirements into FY'2014.

We understand that all Defense Appropriations and Authorization Committees have been briefed on the impact of these cuts. Our depots and arsenals have worked hard to overcome the backlog created in FY'2011 and are on track to fully be within average carryover numbers by the end of FY'2013. Therefore, we ask the Committee to uphold the President's FY'2013 budget request, allowing the Army depots and arsenals to complete their work and continue the exceptional performance on which our servicemembers and taxpayers have come to rely.